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Ms. Donna R. Searcy  
Secretary  
Federal Communications Commission  
1919 M Street, N.W.  
Room #222  
Washington, D.C. 20554

Federal Communications Commission  
Office of the Secretary

Re: Erratum to Comments of NYCOM and AMNEX  
CC Docket No. 92-77

Dear Ms. Searcy:

On July 7, 1992, on behalf of NYCOM Information Services, Inc. ("NYCOM") and American Network Exchange, Inc. ("AMNEX"), I filed their comments in CC Docket 92-77. Due to an oversight, a cover sheet, table of contents and summary were not included in the document filed with the Commission. Accordingly, I have enclosed an original and five copies of these materials. For your convenience, I have attached these materials to additional copies of the comments.

Please contact me if you have any questions.

Sincerely,

  
Steven A. Augustino

SAA/dwc

Enclosures

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**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

In the Matter of

Billed Party Preference  
For 0+ InterLATA Calls

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CC Docket No. 92-77

To: The Commission

**COMMENTS OF NYCOM AND AMNEX**

Amy S. Gross

**NYCOM Information Services, Inc.  
American Network Exchange, Inc.**  
2701 Summer Street, Suite 200  
Stamford, CT 06905  
(202) 324-7474

Its Attorney

Dated: July 7, 1992

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## SUMMARY OF COMMENTS

NYCOM and AMNEX support the Commission's efforts to refocus competition in the operator services marketplace away from the aggregator and towards the end user placing the call. We agree that this is in the ultimate public interest and is a goal which should be pursued. We also recognize the attractiveness of billed party preference (BPP) from a public policy perspective, largely because it appears to offer the simplicity of "0+" dialing to all consumers. However, implementation of BPP would represent a fundamental restructuring of not only the operator service industry, but also the broader interexchange marketplace. It raises technical, operational, financial and competitive issues which must be fully examined and resolved before, and if, BPP is implemented.

Accordingly, we urge the Commission to move cautiously in this matter, using the opportunity presented by the instant Notice to gather more information concerning BPP, in particular the costs and technical changes (to both IXC and LEC networks) required by its implementation. If, after compiling a complete record it still believes BPP is in the public interest, a further notice proposing specific rules could be issued. This is essential if BPP is to be implemented in a manner which not only benefits consumers but also preserves the competitive interexchange marketplace.

The Commission must carefully scrutinize the effects of BPP on the competitive marketplace for (non-LEC) calling or travel card services. By interposing LEC operator services and switches on every interLATA call, billed party preference threatens to curtail the ability of IXCs to offer consumers innovative calling card services and features at lower prices. The existing travel/calling card marketplace is highly competitive and robust, characterized by numerous carrier offerings with divergent price and service options ranging from voice messaging to personal speed dialing to information service access. All of these options are possible because the issuing carrier controls not only the integrity of the database, but also the entry of the call into its network via a direct access code. Consumers not only get innovative services but also lower prices. BPP poses a challenge to the continuation of this diverse marketplace.

With BPP virtually every card issuing carrier except AT&T and the LECs will have to reissue its existing cards and change its dialing instructions in order to remain competitive. Moreover, BPP will force all carriers except the LECs to issue the less attractive non-line number based cards. This provides the LECs with an important advantage which cannot be overcome merely by the selection of a separate interLATA PIC. The Commission must ensure that the LECs do not use their current technical inability to perform 14 digit screening and store multiple PIN numbers against a line number in LIDB as a shield from competition. At a minimum, it must require the LECs to

study the feasibility of 14 digit screening, report on the associated costs and technical issues and then require that it be made available. Anything less threatens the very core of a competitive calling card marketplace.

Additionally, AMNEX does not believe that a secondary OSP designation will operate as envisioned by the Commission. Instead, such a designation will be neither practical nor economical for carriers that wish to issue their own travel/calling cards and will increase both call processing time and fraud potential to unacceptable levels. Thus, BPP threatens to drive small competitors, both regional and product or niche specific, from the calling card and broader interexchange marketplace, leaving only the three largest carriers as the sole non-LEC card issuers and/or the only wholesale providers of nationwide originating access for resale carriers. This result, clearly unintended by the Commission, runs counter to the pro-competitive policies in place for the last twenty-five years.

Finally, by requiring carriers wishing to receive O+ BPP calls to obtain trunk facilities to the LEC Operator Service Switches in addition to LEC tandem switches, BPP necessitates the complete reconfiguration of most IXCs' networks. In particular, it requires the separation of originating and terminating access trunk groups, causing inefficiency and, more importantly, increasing access costs to third tier carriers who rely on common transport for the bulk of their access facilities. This inefficiency and consequential increased access costs will only

be exacerbated if a partitioned rate structure is adopted in Docket 91-213. Until the effects of BPP on carrier access charges, are identified and resolved, BPP threatens to diminish, not increase competition for transient consumers and neither BPP nor a new access charge rate structure should be implemented.

If BPP is to serve the goals set forth by the Commission it must be implemented on a uniform basis and for all calls. It is also imperative that consumers be required to make an affirmative choice of O+ carriers. LECs cannot be allowed to simply notify consumers of the option to chose a separate O+ carrier. Such a system will surely result in the mere translation of 1+ market share into O+ in market share, again in contradiction to long standing Commission policies. Affirmative choice through balloting is essential to educate consumers about their options and prompt them to make a conscious decision about their O+ service. Similarly, consumers who do not affirmatively choose a O+ carrier should not simply be defaulted to the 1+ carrier. Instead, as in the 1+ and payphone environment, consumers should be allocated to participating carriers in accordance with their percentage of presubscribed phones.

In tandem with the implementation of balloting, the Commission must also ensure that presubscription is implemented in a standardized, neutral manner, drawing upon the lessons of previous presubscription efforts and correct persistent problems before they occur. This includes assuring both the accuracy and timeliness of the LEC databases provided to IXC's for use in the

presubscription process and that IXCs have sufficient lead time to engage in effective marketing efforts. A minimum of 120 days must be provided between the time the lists are received by the IXCs and the time the initial ballots are sent to consumers.



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Accordingly, we urge the Commission to move cautiously in this matter, using the opportunity presented by the instant Notice to gather more information concerning BPP, in particular the costs and technical changes (to both IXC and LEC networks) required by its implementation. If, after compiling a complete record it still believes BPP is in the public interest, a further notice proposing specific rules could be issued. This is essential if BPP is to be implemented in a manner which not only benefits consumers but also preserves the competitive interexchange marketplace.

The Commission must carefully scrutinize the effects of BPP on the competitive marketplace for (non-LEC) calling or travel card services. By interposing LEC operator services and switches on every interLATA call, billed party preference threatens to curtail the ability of IXC's to offer consumers innovative calling card services and features at lower prices. The existing travel/calling card marketplace is highly competitive and robust, characterized by numerous carrier offerings with divergent price and service options ranging from voice messaging to personal speed dialing to information service access. All of these options are possible because the issuing carrier controls not only the integrity of the database, but also the entry of the call into its network via a direct access code. Consumers not only get innovative services but also lower prices. BPP poses a challenge to the continuation of this diverse marketplace.

With BPP virtually every card issuing carrier except AT&T and the LECs will have to reissue its existing cards and change its dialing instructions in order to remain competitive. Moreover, BPP will force all carriers except the LECs to issue the less attractive non-line number based cards. This provides the LECs with an important advantage which cannot be overcome merely by the selection of a separate interLATA PIC. The Commission must ensure that the LECs do not use their current technical inability to perform 14 digit screening and store multiple PIN numbers against a line number in LIDB as a shield from competition. At a minimum, it must require the LECs to

study the feasibility of 14 digit screening, report on the associated costs and technical issues and then require that it be made available. Anything less threatens the very core of a competitive calling card marketplace.

Additionally, AMNEX does not believe that a secondary OSP designation will operate as envisioned by the Commission. Instead, such a designation will be neither practical nor economical for carriers that wish to issue their own travel/calling cards and will increase both call processing time and fraud potential to unacceptable levels. Thus, BPP threatens to drive small competitors, both regional and product or niche specific, from the calling card and broader interexchange marketplace, leaving only the three largest carriers as the sole non-LEC card issuers and/or the only wholesale providers of nationwide originating access for resale carriers. This result, clearly unintended by the Commission, runs counter to the pro-competitive policies in place for the last twenty-five years.

Finally, by requiring carriers wishing to receive O+ BPP calls to obtain trunk facilities to the LEC Operator Service Switches in addition to LEC tandem switches, BPP necessitates the complete reconfiguration of most IXCs' networks. In particular, it requires the separation of originating and terminating access trunk groups, causing inefficiency and, more importantly, increasing access costs to third tier carriers who rely on common transport for the bulk of their access facilities. This inefficiency and consequential increased access costs will only

be exacerbated if a partitioned rate structure is adopted in Docket 91-213. Until the effects of BPP on carrier access charges, are identified and resolved, BPP threatens to diminish, not increase competition for transient consumers and neither BPP nor a new access charge rate structure should be implemented.

If BPP is to serve the goals set forth by the Commission it must be implemented on a uniform basis and for all calls. It is also imperative that consumers be required to make an affirmative choice of O+ carriers. LECs cannot be allowed to simply notify consumers of the option to chose a separate O+ carrier. Such a system will surely result in the mere translation of 1+ market share into O+ in market share, again in contradiction to long standing Commission policies. Affirmative choice through balloting is essential to educate consumers about their options and prompt them to make a conscious decision about their O+ service. Similarly, consumers who do not affirmatively choose a O+ carrier should not simply be defaulted to the 1+ carrier. Instead, as in the 1+ and payphone environment, consumers should be allocated to participating carriers in accordance with their percentage of presubscribed phones.

In tandem with the implementation of balloting, the Commission must also ensure that presubscription is implemented in a standardized, neutral manner, drawing upon the lessons of previous presubscription efforts and correct persistent problems before they occur. This includes assuring both the accuracy and timeliness of the LEC databases provided to IXCs for use in the

presubscription process and that IXC's have sufficient lead time to engage in effective marketing efforts. A minimum of 120 days must be provided between the time the lists are received by the IXC's and the time the initial ballots are sent to consumers.



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Washington, D.C. 20554

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Billed Party Preference )  
For 0+ InterLATA Calls )

CC Docket No. 92-77  
FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

COMMENTS of NYCOM and AMNEX

NYCOM Information Services, Inc. and American Network Exchange, Inc. (hereinafter, "AMNEX")<sup>1</sup>, by their attorney, hereby file these Comments in response to the Notice of Proposed Rulemaking in the above-captioned docket concerning the implementation of billed party preference ("BPP").<sup>2</sup>

AMNEX supports the Commission's efforts to refocus competition in the operator services marketplace away from the aggregator and towards the end user placing the call. We agree that this is in the ultimate public interest and is a goal which should be pursued. We also recognize the attractiveness of BPP from a public policy perspective, largely because it appears to offer the simplicity of "0+" dialing to all consumers. However, implementation of BPP

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<sup>1</sup> NYCOM is a telecommunications holding company whose activities are concentrated in the public communications sector. NYCOM's services are provided primarily through its wholly-owned subsidiary American Network Exchange, Inc. which offers telecommunications network services, including operator and travel card services, as well as information and interactive audiotex services. Because the AMNEX name is more identifiable with the Company's primary business activities, the NYCOM shareholders have been asked to approve an amendment to NYCOM's Certificate of Incorporation to change the Company's name to "AMNEX, Inc.". Such approval is expected at the July 22, 1992 Annual Meeting of Shareholders.

<sup>2</sup> Billed Party Preference for 0+ InterLATA Calls, CC Docket No. 92-77, FCC 92-169, released May 8, 1992 (hereinafter, the "Notice").

would represent a fundamental restructuring of not only the operator service industry, but also the broader interexchange marketplace. As such, it raises technical, operational, financial and competitive issues which must be fully examined and resolved before, and if, BPP is implemented.

To date, virtually no industry members other than the LECs and AT&T have had access to the full array of technical information about BPP and Automated Alternative Billing Service ("AABS") and their associated costs. Thus, carriers such as AMNEX are unable to precisely predict the effects of BPP's implementation on their current network and cost structure and provide specific information in response to many of the questions posed by the Notice. In addition, the resolution of certain of the questions posed by the Notice (e.g., the manner in which 0+ presubscription is to be accomplished, whether LECs are required to perform 10 or 14 digit LIDB screening) will, in large part, dictate the competitive implications of BPP.

The Commission must carefully scrutinize the effects of BPP on the competitive marketplace for (non-LEC) calling or travel card services. In particular, we are concerned that the secondary OSP designation described in the Notice will not operate as envisioned by the Commission and permit smaller carriers to participate fully in the marketplace. Instead, while appealing, a secondary carrier designation will be neither practical nor economical for carriers that wish to issue their own travel/calling cards and will increase both call processing time and fraud potential to unacceptable

levels. Thus, BPP threatens to drive small competitors, both regional and product or niche specific, from the calling card and broader interexchange marketplace, leaving only the three largest carriers as the sole non-LEC card issuers and/or the only wholesale providers of nationwide originating access for resale carriers.

Additionally, by requiring carriers wishing to receive 0+ BPP calls to obtain trunk facilities to the LEC Operator Service Switches ("OSS") in addition to LEC tandem switches, BPP necessitates the complete reconfiguration of most IXC's networks. In particular, it requires the separation of originating and terminating access trunk groups, causing inefficiency and, more importantly, increasing access costs to third tier carriers with modest volumes and who rely on common transport for the bulk of their access facilities. This inefficiency and consequential increased access costs will only be exacerbated if a partitioned rate structure is adopted in Docket 91-213.<sup>3</sup> Until the effects of BPP on carrier access charges are identified and resolved, BPP threatens to diminish, not increase competition for transient consumers and neither BPP nor a new access charge rate structure should be implemented.

Accordingly, we urge the Commission to move cautiously in this matter, using the opportunity presented by the instant Notice to gather more information concerning BPP, in particular the costs and technical changes (to both IXC and LEC networks) required by its

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<sup>3</sup> In the Matter of Transport Rate Structure and Pricing, CC Docket No. 91-213, released Oct. 25 1991.

implementation. Until this information, uniquely in the possession of the LECs, is made public it would be premature to adopt rules requiring the implementation of BPP. The Commission should compile a complete record and then, if it still believes BPP is in the public interest, a further notice proposing specific rules could be issued. This is essential if BPP is to be implemented in a manner which not only benefits consumers but also preserves the competitive interexchange marketplace.

**I. Introduction and Background**

Currently, 0+ calls are sent directly to the OSP presubscribed to the originating line. The Notice proposes that a system of billed party preference be implemented, under which 0+ calls would be sent instead to the OSP chosen by the party paying for the call -- either the holder of the credit card or the person paying for the collect or third party call. To accomplish this, all calls would need to be screened by the LECs to identify the proper carrier. Such screening would take place at the operator service switch not the access tandem. Separate 0+ and 1+ designation would be possible and callers could, in theory, choose multiple 0+ OSPs by carrying and using multiple cards.

Under current industry plans, LECs would implement BPP by loading a primary and secondary OSP choice into their Line Information DataBases ("LIDBs"). This choice would be used for carrier identification purposes on 0+ interLATA collect and third number calls, as well as calls billed to LEC calling cards. The secondary OSP would be used for calls originating in areas where

the primary OSP did not provide originating service. This is intended to enable customers to select a small regional OSP as their primary carrier without vitiating the nationwide utility of BPP. A separate PIC for international calls could also be accommodated.

Once BPP is operational, LECs will identify the appropriate carrier by launching a LIDB query from the LEC operator service switch ("OSS") via Signalling System 7 ("SS7"). According to the Notice, a LIDB query would not be necessary on calls made with IXC calling cards because under "current industry plans for BPP, IXC calling cards would have to be in the 891 or CIID format". Notice at ¶11. These formats allow the LEC to identify the issuing carrier by performing a 6 digit screening, presumably at the OSS, thus avoiding the LIDB query. On LEC cards, LECs would need to perform a ten digit LIDB screening to identify the chosen carrier (i.e., the PIN number would not be screened). However, if the LECs performed a ~~fourteen~~ digit screening, they could look at the PIN number as well, which would permit customers to maintain multiple line number based cards, with different OSPs. It would also enable OSPs that currently issue their own line number based cards to continue to use such cards in the BPP environment. To this end, the Commission seeks comment on whether such 14 digit screening is either feasible or desirable, and whether 14 digit screening would

present fraud problems which might outweigh the benefits of permitting OSPs to retain their own line number based calling cards.

Billed party preference would not change the routing of calls initiated by dialing an access code; 00- calls would continue to be routed to the presubscribed interLATA carrier. 1+ calls would also continue to be routed to the presubscribed 1+ carrier.

The Notice tentatively concludes that a system of nationwide billed party preference could benefit the users of operator services by "by implementing the billed party's choice of carrier without complicated dialing requirements on '0' calls and by redirecting the focus of OSP competition for public phone traffic towards the end user and away from the recipient of 0+ commissions". Notice at ¶13. However, it also recognizes that there is relatively little information about the costs of the system and how they may vary depending upon the scope of BPP implementation. Id.

In addition, the Notice postulates that BPP might increase the parity in the OSP marketplace by decreasing incentives to presubscribe to AT&T which, because of its larger customer base, can offer lower commission rates but higher overall commission payments because of the larger amount of commissionable traffic it can carry (especially with a proprietary calling card). According to the Notice, BPP could eliminate this disparity by giving every

IXC the same opportunity to offer 0+ dialing, regardless of the size of its customer base and regardless of whether other IXCs use proprietary calling cards.

Finally, the Notice concludes that BPP would be "procompetitive" because users would effectively choose to use a particular OSP. 0+ presubscription could be unbundled from 1+ choice, so that users could choose different carriers for 0+ and 1+ traffic. The ability to designate a secondary carrier for 0+ would allow small OSPs to participate by designating an alternative carrier for their customers in areas where they lack originating capability. Moreover, because any carrier could become the customer designated carrier for LEC calling cards, OSPs that did not wish to issue their own cards could instruct their customers to reach them with a LEC card.

**II. BPP May Have a Negative Effect on Innovation and Pricing In the Calling Card Marketplace**

As identified in the comments filed in response to Bell Atlantic's original petition<sup>4</sup>, implementation of billed party preference will require technical development by both the LECs and IXCs and will entail tremendous expense and substantial lead time. Despite its lofty intentions, BPP threatens to stifle innovation and competition in the interexchange marketplace, especially among third tier carriers. These shortcomings remain despite the LEC

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<sup>4</sup> Bell Atlantic Petition for Rulemaking to Establish Uniform Dialing Plan from Pay Telephones, RM 6723, April 13, 1989.

"answers" contained in the Notice and must be fully debated on the record before BPP implementation can move forward.

**A. New Service Offerings Will be Curtailed**

Most importantly, by interposing LEC operator services and switches on every interLATA call, of billed party preference threatens to curtail the ability of IXCs to offer consumers innovative services and features at lower prices. Indeed, the very presence of the LECs' operator systems on interLATA calls may retard or prevent the introduction of products whose formats are incompatible with the LIDB system.<sup>5</sup> It may also impede the efficient operation of existing card and information services offered by IXCs, such as voice messaging, personal speed dialing and access to databases containing information ranging from stock quotations to horoscopes. All of these enhancements are provided out of and are dependent upon the IXC's network and cannot be utilized until that network is accessed. Interposition of the LEC network will result in a loss of service flexibility, options and speed for the IXC's customers.

The existing travel/calling card marketplace is highly competitive and robust, characterized by numerous carrier offerings with divergent price and service options. Some carriers are in the process of experimenting with voice recognition systems; still others are marketing their product based on superior fraud control and billing flexibility. All of these options are possible because

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<sup>5</sup> See, May 26, 1989 Comments of AT&T at 7-8; the Operator Service Providers of America at 12-14; United Artists Payphone Corporation at 14; International Telecharge, Inc., at 5-7.



the issuing carrier controls not only the integrity of the database, but also the entry of the call into its network via a direct access code. Consumers not only get innovative services but also lower prices. BPP poses a challenge to the continuation of this diverse marketplace.

Consumers lulled into reliance on LEC billed party preference's 0+ dialing will soon be reluctant to try new services offered by competitors and which require the dialing of access codes.<sup>6</sup> In fact, once BPP is implemented the marketplace will undoubtedly require carriers to issue cards compatible with 0+ dialing. Unless they do, IXC's will find it harder to gain public acceptance of their products and services. This will require the mass re-issuance of IXC calling cards and necessitate the complete re-arrangement of IXC networks, with the potential loss of card features and functionality. Such a result stifles innovation and adds unnecessary costs to IXC operations and rates.

**B. Card Format Changes Will Be Required  
But Only For Competitors**

With BPP virtually every card issuing carrier except AT&T and the LECs will have to reissue its existing cards and change its dialing instructions in order to remain competitive. Indeed, even the Notice assumes (at ¶11) that all IXC's will have 891 or CIID

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<sup>6</sup> By contrast, the present system encourages consumers to become familiar with access code dialing, thus removing the "mystique" and creating a more receptive consumer of public communications services. Such consumers are more likely to seek out and take advantage of new, innovative services, thus increasing consumer choice and spurring the marketplace to offer new and better services at lower prices.